

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2008-196-E – ORDER NO. 2008-673
OCTOBER 7, 2008

IN RE: Combined Application of South Carolina Electric &)	ORDER PERMITTING
Gas Company for a Certificate of Environmental)	COMMENCEMENT OF
Compatibility and Public Convenience and Necessity)	INITIAL CONSTRUCTION
for a Base Load Review Order for the Construction)	ACTIVITIES
and Operation of a Nuclear Facility at Jenkinsville,)	
South Carolina		

I.

INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the “Commission”) on the Petition of the South Carolina Electric & Gas Company (“SCE&G” or the “Company”), filed May 30, 2008, to commence initial clearing, excavation and construction work on two 1,117 net megawatt nuclear facilities to be located at the V.C. Summer Nuclear Station (“VCSNS”) site near Jenkinsville, South Carolina (the “Facilities”). This Petition was filed simultaneously with the Combined Application of South Carolina Electric & Gas Company for a Certificate of Environmental Compatibility and Public Convenience and Necessity for a Base Load Review Order for the Construction and Operation of a Nuclear Facility at Jenkinsville, South Carolina (the “Combined Application”) pursuant to the provisions of the Utility Facility Siting and Environmental Protection Act, S.C. Code Ann. §§ 58-33-10 *et seq.* (1976 & Supp. 2006) (the “Siting Act”), and the Base Load Review Act, S.C. Code Ann. §§ 58-33-210 *et seq.* (Supp. 2007).

The Company is proposing to commence “initial clearing, excavation . . . and construction” at the site where the Facilities will be constructed in support of future generation if authorized by the Commission on the merits of the Combined Application. S.C. Code Ann. § 58-33-110(7) allows the Commission to authorize clearing, excavation, and construction work to begin prior to such a decision if it finds that such activities are “justified by the public convenience and necessity.” *Id.* As the Company acknowledges, S.C. Code Ann. § 58-33-110(7) provides that any such work must be performed at the sole risk and expense of the Company, and if granted, the requested authorization would in no way affect the Commission’s decision relating to the merits of the Combined Application.

On June 16, 2008, the Commission published a Notice and Deadline for Written Comments. The Notice and Deadline for Written Comments indicated the nature of the Company’s Petition and advised all interested parties desiring to submit comments to the Commission regarding SCE&G’s Petition of the manner and time in which to file appropriate comments. In addition, on August 7, 2008, the Commission published a Notice of Hearing to address the relief requested by the Company in its Petition. By letter dated August 7, 2008, the Commission’s Docketing Department issued scheduling directions to all Parties establishing the dates for the Parties to pre-file testimony and exhibits in this case.

Timely petitions to intervene were received from CMC Steel South Carolina (“CMC Steel”), Pamela Greenlaw (“Ms. Greenlaw”), Friends of the Earth (“FOE”), Mildred A. McKinley (“Ms. McKinley”), Lawrence P. Newton (“Mr. Newman”), the South Carolina Energy Users Committee (“SCEUC”), Ruth Thomas (“Ms. Thomas”), Maxine Warshauer (“Ms. Warshauer”), Samuel Baker (“Mr. Baker”), and Joseph Wojcicki (“Mr. Wojcicki”).

A public hearing was held in the offices of the Commission on September 10, 2008, beginning at 12:30 p.m. The Honorable Elizabeth B. Fleming, Chairman of the Commission, presided. SCE&G was represented by K. Chad Burgess, Esq., Mitchell Willoughby, Esq., and Belton T. Zeigler, Esq. The South Carolina Office of Regulatory Staff was represented by Nanette S. Edwards, Esq., and Shannon B. Hudson, Esq. FOE was represented by Robert Guild, Esq. Scott Elliott, Esq., represented the South Carolina Energy Users Committee. Ms. Greenlaw, Mr. Newton, Ms. Warshauer, and Mr. Wojcicki each appeared *pro se*. Mr. Baker, CMC Steel, Ms. McKinley, and Ms. Thomas did not appear.

The Company presented the direct testimony of Kevin B. Marsh, President and Chief Operating Officer of SCE&G; Alan Torres, Construction Manager for V.C. Summer Nuclear Station Units 2 & 3; and Dr. Joseph M. Lynch, Manager of Resource Planning for SCANA Services, Inc. The Office of Regulatory Staff presented the direct testimony of A. Randy Watts, Program Manager of the Electric Department for the Office of Regulatory Staff. None of the interveners submitted testimony at the hearing, but the interveners did conduct cross examination.

In his testimony, Mr. Marsh outlined the scope of the work that SCE&G proposes to undertake under the requested order. That work would include the construction of several roads, a bridge, and several lay-down yards needed for delivering materials, supplies and equipment to the site. The work also includes the relocation of a rail line crossing the site which will be rebuilt on the contours to which the construction site will later be graded. Mr. Marsh's testimony indicated that the Company expects the total cost of the site preparation work under the requested order to be \$10.5 million, of which the Company's share would amount to

approximately \$5.8 million. The remainder would be the payment responsibility of the co-owner of the Facilities, Santee Cooper.

Mr. Marsh also testified concerning the need for the Facilities and the benefits to the public of commencing preliminary construction as requested. Mr. Marsh testified that growth in the Company's service territory requires that the Company add additional capacity to its generation system by 2016, the year that the first of the two proposed new units would be scheduled for completion. Commencing construction at this time will increase flexibility in the construction schedule going forward and makes the scheduled completion date for the proposed units more secure. Mr. Marsh testified that completing the first new unit on schedule could save customers more than \$260 million in additional fuel, capacity and environmental costs compared to a one year delay.

Mr. Torres testified that commencing the construction of the roads and bridge now would provide more efficient and safer site access. Constructing the roads and bridge now would avoid the need for work crews to use the same roads used by heavy equipment and delivery trucks during the initial months of the proposed construction. Mr. Torres also testified that for reliability reasons, VCSNS Unit 1 is scheduled to replace its main transformer during the refueling outage scheduled for October 2009. To support preparation and testing of the new transformer prior to installation, the new transformer is scheduled to be delivered to the site in May of 2009. The new transformer weighs 550 tons and is most practically, safely and efficiently delivered to the site by rail.

The rail line serving VCSNS Unit 1 crosses the construction site for the proposed Facilities and will require six months to be relocated to the contours on which construction of the

Facilities is proposed to take place. Should the rail line relocation not be completed by May 2009, the line would need to remain in place until December 2009 to allow the new transformer to be replaced should it fail when tested. Mr. Torres testified that leaving the rail line in place until December 2009 would lead to a delay in the construction schedule for the proposed Facilities as other construction work depends on the site grading being complete. Mr. Torres testified that the scheduled completion date for the first of the proposed new units would likely not be achieved if the rail line could not be relocated at this time.

Dr. Lynch testified that the Company will need the additional capacity represented by the proposed new units to reliably supply energy to its customers. Without the new generating capacity represented by the first of the two proposed new units, SCE&G's reserve margin is expected to fall to two percent (2%) in 2016 compared to the Company's target range of twelve percent (12%) to eighteen percent (18%). Dr. Lynch quantified the cost to the public of a potential twelve month delay in completion of Unit 2 as being as much as at \$321.7 in additional energy, capacity and environmental costs. Dr. Lynch also testified concerning the importance of Unit 1 and its continued reliability to SCE&G's generation resource portfolio.

Mr. Watts testified for the ORS, that issuing the requested order to the Company would not have any bearing on the merits of the Company's request to construct a major utility facility and that SCE&G would be going forward with construction activities at its own risk. By letter dated June 27, 2008, the Office of Regulatory Staff indicated that it had no objection to issuance of the order requested by SCE&G in its petition.

II.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Based upon the Petition, the testimony, and exhibits received into evidence at the hearing and the entire record of these proceedings, the Commission makes the following findings of fact and conclusions of law:

1. The public convenience and necessity justifies SCE&G being authorized, under S.C. Code Ann. § 58-33-110 (1976), to begin initial clearing, excavation, and construction activities at the site of proposed VCSNS Units 2 & 3 as specified in the Petition in this matter.

2. The public will not bear any financial risk related to this initial clearing, excavation, and construction because SCE&G has consented, as the law requires, to conduct the initial clearing, excavation, and construction activities authorized by the order in this proceeding at its own financial risk.

3. The Commission finds that by commencing initial clearing, excavation, and construction activities at this time, the Company will increase the likelihood of completing the proposed Facilities on schedule, if approved, which will benefit customers and further the public convenience and necessity.

4. The Commission finds that allowing SCE&G to construct roads and other construction infrastructure at this time would allow SCE&G and its contractors to proceed with the proposed future construction activities more efficiently, safely, and economically; thereby benefiting customers and the public and furthering the public convenience and necessity.

5. The cost of the initial clearing, excavation, and construction activities envisioned here is small compared to the potential benefits to the public convenience and necessity as indicated above.

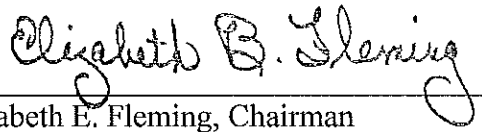
6. This Order has no bearing on the decision of this Commission on the merits of the Combined Application in this matter. Such decision shall only be rendered after the full hearing on the merits.

NOW, THEREFORE, IT IS HEREBY ORDERED as follows:

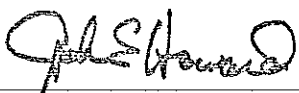
1. The Petition of the South Carolina Electric & Gas Company, filed May 30, 2008, to commence initial clearing, excavation and construction work on the proposed Facilities is hereby approved and the requested authority is granted as requested therein.

2. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Elizabeth E. Fleming, Chairman

ATTEST:


John E. Howard, Vice Chairman
(SEAL)